



Policy Brief.....October 3, 2001

Contents:

H.R. 2646—To provide for the continuation of agricultural programs through fiscal year 2011

H.R. 2646—To provide for the continuation of agricultural programs through fiscal year 2011 (Combest)

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Order of Business: The bill is scheduled to be considered on Wednesday, October 3rd, subject to a rule.

Cost to Taxpayers: CBO estimates that H.R. 2646 would increase direct spending by \$2.1 billion in FY2002, \$34.6 billion over the FY2002-2006 period, and \$72.1 billion over the FY2002-2011 period. Additional outlays occurring after 2011 would bring the total of new direct spending from the legislation to **\$75.7 billion**. The bill also would authorize discretionary appropriations for existing and new programs for research and education, nutrition, trade promotion, rural development, credit assistance, and forestry initiatives. CBO estimates that implementing such authorizations would cost about \$11.5 billion over the 2002-2006 period, and \$29.0 billion over the next 10 years, subject to annual appropriation.

Constitutional Authority: The Agriculture Committee (in House Report 107-191, Part I) cites constitutional authority in Article I, Section 8, Clause 18 (all laws necessary and proper). Additionally, the International Relations Committee (in House Report 107-191, Part III) also cites constitutional authority in Article I, Section 8, Clause 18.

Summary:

[Title I — Commodity Programs:](#)

Fixed Decoupled Payments: continues and increases the fixed, decoupled payment to growers of grains and cotton and expands to cover soybeans and other oilseeds. Producers may update their base program acreage and may receive up to 50 percent of the fixed decoupled payment in advance anytime on or after Dec. 1 of a fiscal year.

Counter-Cyclical Payments: creates new counter-cyclical payments when the effective price for a covered commodity is less than the target price. The effective price is equal to the sum of (1) the higher of the national average market price during the 12-month marketing year for the commodity or the national average loan rate, and (2) the payment rate for fixed decoupled payments for the commodity. The payment rate for counter-cyclical payments is equal to the difference between the target price and the effective price for the commodity.

Loan Rates, Fixed Decoupled Payment Rates and Target Prices

Crop	\$ / Unit	Loan Rates	Fixed Rate	Target
<u>Prices</u>				
Wheat	Bu.	2.58	0.53	4.04
Corn	"	.89	0.30	2.78
Sorghum	"	1.89	0.36	2.64
Barley	"	1.65#	0.25	2.39
Oats	"	1.21#	0.025	1.47
Upland Cotton	Lb.	0.5192	.0667	.736
Rice	Cwt.	6.50	2.35	10.82
Soybeans	Bu.	4.92	0.42	5.86
Minor Oilseeds	Lb.	0.087	.0074	.1036

Marketing Loan Provisions for Covered Commodities: continues the current marketing loan program at current loan rates for all crops except soybeans and sorghum. All production would be eligible for the marketing loan. The bill lowers the soybean loan rate and raises the sorghum loan rate to a level equivalent to corn.

Marketing Assistance Loans for Wool Mohair, and Honey: creates / recreates nonrecourse marketing assistance loans for producers of wool, mohair, and honey.

Payments in Lieu of Loan Deficiency Payments for Grazing: creates payments for producers who would otherwise be eligible for loan deficiency payments for wheat, barley, or oats, but who elected to graze the land provided the producer agrees to forgo any future harvesting of wheat, barley, or oats on that land.

Other Commodities:

Milk Price Support Program: extends through 2011 the current milk price support program at the current purchase price and the Dairy Export Incentive Program. The bill repeals the nonrecourse loan program for processors.

Sugar: lowers the interest rate charged on price-support loans, eliminates the marketing assessment, adds a storage facility loan, and authorizes a Payment-in-Kind Program and marketing allotments.

Peanuts: terminates the marketing quota program and compensates the quota holders for the loss of the quota asset value at \$0.10 per pound per year for five years. The bill creates a new marketing loan program at \$350 per ton and makes producers for fixed decoupled payment at \$36 per ton and the counter cyclical program with a target price of \$480 per ton.

Title II —Conservation:

Conservation Reserve Program: reauthorized through 2011 with the enrollment cap increased from 36.4 million acres to 39.2 million acres and makes land on which surface or groundwater is conserved eligible to be considered for enrollment.

Wetland Reserve Program: reauthorizes through 2011 with the enrollment cap increased by 150,000 acres per year and provides producers with payments for wetland easements as well as with cost-share payments to implement plans to restore an area to the original wetland condition.

Environmental Quality Incentives Program: reauthorizes through 2011 and increases program level from \$200 million annually to \$1.285 billion annually (an increase of 800%) with livestock producers receiving 50% of annual funding, and crop producers receiving the other 50%. The bill sets aside \$60 million annually to address ground and surface water conservation issues.

Wildlife Habitat Incentives Program: reauthorizes through 2011 and increases program level to \$50 million annually.

Farmland Protection Program: reauthorized through 2011 and increases program to \$50 million annually.

Grassland Reserve Program: creates a new program to enroll up to 2 million acres of grassland (divided equally between native and restored grassland) in 10-, 15-, and 20-year contracts (or 30- year permanent easements).

Small Watershed Rehabilitation: authorized at \$150 million.

Repeals:

- authority for pilot program for wetland mitigating banking,
- the \$50,000 per person cap on easement payments under the Conservation Reserve Program,
- the provisions elated to establishment and conditions of base acreage for the Conservation Reserve Program,

- the \$50,000 per person cap on easement payments under the Wetlands Reserve Program,
- the conservation farm option pilot program for producers of wheat, feed grains, cotton, and rice, and
- the tree-planting initiative.

Title III—Trade (International Relations Committee)

EXTENSIONS OF PROGRAMS:

Market Access Program (MAP). Authorizes \$180.0 million for MAP for each of fiscal years 2002 through 2007. This amount is \$20.0 million less than what the Agriculture Committee wanted. MAP, through public-private partnerships, is designed to encourage the creation, maintenance, and expansion of foreign markets for U.S. agricultural, fish, and forests products.

Food for Progress Program Extends the authorization of the Food for Progress program through FY2007. Raises the cap on administrative expenses from \$10.0 million per fiscal year to \$15.0 million per fiscal year. Raises the cap on transportation costs from \$30.0 million to \$40.0 million per fiscal year. Raises the maximum tonnage of commodities provided from 500,000 to 1 million. This program finances the sale and export of agricultural commodities on credit terms, or on a grant basis, to support emerging democracies that have made commitments to expand free trade in agriculture.

Surplus Commodities. Authorizes the Secretary of Agriculture to allow the Commodity Credit Corporation to provide funds (in U.S. dollars or other currencies) to organizations for technical assistance and logistics related to food assistance programs for developing or friendly countries.

Export Enhancement Program. Extends the authorization of the Export Enhancement Program through fiscal year 2007. According to the Agriculture Committee, “this program allows the USDA through the Commodity Credit Corporation to provide bonuses to make U.S. commodities more competitive and to offset the adverse effects of unfair trade practices.” Eligible commodities include wheat, wheat flour, rice, frozen poultry, barley, barley malt, table eggs, and vegetable oil.

Foreign Market Development Cooperator Program Extends the authorization of the Foreign Market Development Cooperator Program through FY2007 (funded by “such sums”). Authorizes an additional \$40.0 million (in Commodity Credit Corporation funds or an equal value of commodities) for this program. This program is a trade-promotion partnership between the USDA and agricultural producers and processors (represented by associations called Cooperators), whereby the government and the private sector pool their technical and financial resources to develop foreign markets and remove trade barriers of all types.

Export Credit Guarantee Program. Extends the authorization of the Export Credit Guarantee Program through FY2007. Requires an annual report on the status of multilateral

negotiations regarding agricultural export credit programs at the World Trade Organization and the Organization for Economic Cooperation and Development. This program was designed to facilitate sales of American agricultural exports.

Food for Peace. Extends the authorization of the Food for Peace Program through FY2007. Increases the minimum metric-tonnage-level of commodities from 2.025 million to 2.250 million. Sets funding for transportation at a range of between 5 and 10% of program funds. Provides new authority to fund multi-country programs and to use any currency in food aid transactions. Streamlines sales procedures.

Emerging Markets Program. Increases the authorization for the Emerging Markets Program from \$10.0 million to \$15.0 million per fiscal year through FY2007. This program is designed to foster growth in U.S. agricultural exports in low- to middle-income countries.

Bill Emerson Humanitarian Trust. Reauthorizes the Bill Emerson Humanitarian Trust through FY2007. The Secretary of Agriculture is required to establish a trust stock of wheat, rice, corn, or sorghum, or any combination of the commodities totaling not more than 4 million metric tons.

George McGovern-Robert Dole International Food for Education and Child Nutrition Program (“Int’l School Lunch Program”). Renames and reauthorizes the pilot program Global Food for Education Initiative as the George McGovern-Robert Dole International Food for Education and Child Nutrition Program, after the two senators who inspired the program. Establishes more permanent procedures for implementing the program, including allowing the President to assign one or more federal agency to carry out the program in the future. This program aims to increase resources for school food programs with the goal of reducing hunger and increasing educational opportunity for the world's neediest children. The pilot program consisted of 49 projects in 38 countries to provide approximately 9 million children with at least one meal each day in school. No specifics on funding are given, except that certain funding patterns (such as percentages of administrative and transportation funds) should be modeled after other major food programs.

International Food Relief Partnership. Reauthorizes through FY2007 the International Food Relief Partnership, which provides assistance for the stockpiling, transportation, delivery, and distribution of prepackaged foods to needy individuals in foreign countries by private organizations.

NEW PROGRAMS:

Farmers for Africa and Caribbean Basin Program. Establishes this new program to “assist eligible organizations in carrying out bilateral exchange programs whereby African-American and other American farmers and American agricultural farming specialists share technical knowledge with eligible farmers” in a wide variety of areas aimed to improve farming. Grants would go to universities, private organizations, and corporations who could carry out such an exchange program. 80% of participating farmers must be farming in Africa

or in the Caribbean Basin, while 20% of participating farms must be American. Authorizes \$10.0 million for each of fiscal years 2002 through 2007 for this program.

Technical Assistance for Specialty Crops. *Establishes a new export assistance program to remove or mitigate unique trade barriers for specialty crops. Authorizes \$3.0 million (or an equal value of commodities owned by the Commodity Credit Corporation) for each of fiscal years 2002 through 2007.*

Fees. Authorizes the Secretary of Agriculture to charge fees to cover the costs for providing commercial services abroad through the Foreign Agricultural Service. Such fees would be deposited in an offsetting USDA account and would only be available to the Secretary by a subsequent appropriations act.

Future Trade Strategy. Directs the Secretary to develop a multiyear agricultural trade strategy aimed at reducing market distortions, promoting global food security, increasing the efficiency of U.S. government food programs, and improving the commercial potential of international markets for American agricultural commodities.

Title IV—Nutrition Programs

EXTENSIONS OF PROGRAMS:

Nutrition Programs Reauthorization. Reauthorizes through FY2011 the food stamp employment and training program, the cash payment project for elderly and disabled food stamp participants, food stamp outreach demonstration projects, the Food Stamp Act, the food assistance block grant for Puerto Rico, and the nutrition assistance program for American Samoa. Reauthorizes and increases community food projects (to \$7.5 million per fiscal year) and The Emergency Food Assistance Program (from \$100 million per fiscal year to \$140 million per fiscal year). Requires that \$10 million per fiscal year of the funds for the Emergency Food Assistance Program be used to reimburse states for costs incurred because of this program.

Commodity Distribution Reauthorization Reauthorizes through FY2011 the program distributing surplus commodities to special nutrition projects, the Commodity Supplemental Food Program (which distributes supplemental agricultural commodities to maintain the traditional levels of assistance for food assistance programs), and the Emergency Food Assistance Program.

NEW PROGRAM:

Hunger Fellowship Program. *Establishes the Congressional Hunger Fellows Program as a new independent entity of the legislative branch for the purpose of encouraging public service particularly as it relates to the needs of the hungry and poor. Establishes the Bill Emerson Hunger Fellowship and the Mickey Leland Hunger Fellowship (after two former House members who worked on hunger issues), which would fund congressional fellows to work in congressional offices on hunger issues. The program would be funded by the newly*

established Congressional Hunger Fellows Trust Fund and audited annually, beginning with an \$18 million appropriation.

Food Stamp Program—Definition of Income. Allows for the exclusion from household income of deferred educational loans, grants and veteran's educational benefits that are excluded under Medicaid, state complementary payments made under the former Aid to Families with Dependent Children Program, and any income not considered under the Temporary Assistance to Needy Families Program (TANF) and Medicaid.

Standard Deduction. Increases the standard deduction under the food stamp program to 9.7% of the eligibility limit, calculated according to family size.

Transitional Food Stamps. Authorizes states to provide 6 months of transitional food stamp benefits for families leaving TANF.

Quality Control Systems. Require states to use a 95% statistical probability in calculating state error rates in their food stamp programs. In determining sanctions against states for high error rates, sanctions are delayed until the third consecutive year in which a state's error rate exceeds the national average error rate by more than one percentage point. Provides for \$1 million bonus payments to the 5 best-performing states through fiscal year 2007.

Eligibility Determination Systems. Requires the Secretary of Agriculture to spend up to \$10 million per fiscal year to pay all of the costs of state agencies to develop and implement simplified application and eligibility determination systems.

[Title V—Credit](#)

Loan Program Reauthorizations. Reauthorizes through FY2011 the farmer loan programs (at “such sums as may be necessary”), the reservation of beginning farmer and ranchers loan amounts, and the interest rate buy-down program for farmer program loan guarantees.

Limited Liability Companies. Allows limited liability companies to apply for farm ownership loans, farm operating loans, and emergency loans.

Farm Service Agency Loans. Suspends the graduation of borrowers with Farm Service Agency loans to commercial sources of credit through December 31, 2006. According to the Agriculture Committee, current law provides a moratorium on these loans through December 31, 2002.

Certified Lenders. Authorizes the Secretary of Agriculture to administer the certified lender and preferred certified lender guaranteed loan programs through central offices in states or multi-state areas.

Simplified Application Form. Authorizes the use of the simplified form for loan guarantee applications for loans of up to \$150,000 (currently \$50,000).

Loan Reviews. Eliminates the requirement that county committees certify in writing annually that farmer program borrowers' business operations and credit histories have been reviewed and that the borrowers continue to be eligible for the loan program.

Servicing Loans. Requires the Secretary of Agriculture to use Farm Service Agency state or county office employees to make and service farmer program loans, as long as the personnel are trained to do so.

Emergency Loans. Makes crop and livestock quarantines emergencies and sharply increases energy costs emergencies for which disaster loans may be made. (Sets conditions for eligibility.)

Private Lenders. Reauthorizes through FY2011 the provision allowing qualified private lenders to service agricultural loans.

Down Payment Loan Program. Increases from 10 to 15 years the repayment period for the beginning farmer and rancher down-payment loan program.

Horse Breeder Loans. Requires the Secretary through the end of FY2003 to make 15-year loans of not more than \$500,000 to eligible horse breeders who have suffered losses resulting from mare reproductive loss syndrome. Horses are to be considered "livestock."

Sunset of Direct Loans. Prohibits the Secretary of Agriculture from making direct real estate or operating loans to farmers or ranchers 5 years after the enactment of this legislation. Exceptions include youths, qualified beginning farmers or ranchers, and "members of socially disadvantaged groups." Pre-existing contracts will not be affected.

Debt Forgiveness. Clarifies that debt forgiveness does not include consolidation, rescheduling, reamortization, or deferral of a loan provided as a part of a resolution of a discrimination complaint against the Secretary.

Socially Disadvantaged Farmers and Ranchers. Authorizes the Secretary to use funds allocated for socially disadvantaged farmers and ranchers within a state to be used in other states where there are pending applications for socially disadvantaged farmers and ranchers.

[Title VI—Rural Development](#)

EXTENSIONS OF PROGRAMS:

Rural Development Programs Reauthorization. Reauthorizes the following programs through FY2011: Rural Business Opportunity Grants, Grants for Water Systems for Rural and Native Villages in Alaska, Rural Cooperative Development Grants, National Reserve Account for Rural Development Trust Fund, and the Rural Venture Capital Demonstration Program.

Value-added agricultural products market development grants. Allows \$50 million to be used for value-added grants for each of the fiscal years 2002-2011. Allows broader standards of eligibility so that public bodies and trade associations can compete along with non-profit institutions and universities for grants designed to develop value-added products for foreign markets.

Community Water Assistance Grant Program. Directs the Secretary of Agriculture to use \$30 million for each of fiscal years 2002-2011 to fund drinking water assistance grants. Makes the program mandatory spending.

NEW PROGRAMS:

Pilot program for rural development strategic plans. Creates a new program that provides mandatory spending of \$2 million in grants for each of fiscal years 2002-2011 for ten rural states (with matching requirements) to implement rural development strategic plans for regional, collaborative rural development. Provides mandatory spending of \$13 million for grants to implement the strategic plans for each fiscal year 2002-2011.

National Rural Development Partnership. Establishes a National Rural Development Partnership to promote interagency coordination among federal departments and agencies that administer policies and programs that impact rural areas.

Agriculture Innovation Center Demonstration Program. Mandates the Secretary of Agriculture to make grants (not less than \$5 million for fiscal year 2002 and not less than \$10 million for fiscal years 2003 and 2004) to establish centers to provide producers with technical assistance, marketing, and development assistance for value-added agricultural businesses.

Loan guarantees for renewable energy systems. Authorizes the Secretary of Agriculture to provide to individuals a loan guarantee to finance the purchase of a renewable energy system (including a wind energy system).

Funding for rural local television broadcast signal loan guarantees. Provides \$200 million for loan guarantees for fiscal years 2002-2006 without fiscal year limitation.

Loan Limits. Increases the loan limit of the Business and Industry lending program from \$25 million to \$100 million.

Grants to train farm workers. Authorizes the Secretary of Agriculture to make grants of no more than \$10 million for each of fiscal years 2002-2011 to train farm workers to use new technologies and develop specialized skills for agricultural development.

Lifting of population restrictions. In determining whether a cooperative organization owned by farmers is eligible for a guaranteed loan, the Secretary shall not apply any lending restrictions based on population to the area in which the cooperative is located.

Title VII—Research and Related Matters

Extensions of Programs. Reauthorizes the following research programs through FY2011:

- Market Expansion Research
- National Rural Information Center Clearing-House
- Food and Agricultural Sciences Education
- Policy research centers
- Human nutrition intervention and health promotion research program
- Pilot research program to combine medical and agricultural research
- Nutrition education program
- Continuing Animal Health and Disease Research Programs
- Research on national or regional problems
- Grants to upgrade agricultural and food sciences facilities at 1890 land-grant colleges, including Tuskegee University
- National Research and Training Centennial Centers at 1890 Land-Grant Institutions
- Hispanic Serving Institutions
- Competitive Grants for International Agricultural Science and Education Programs
- University Research
- Extension Service
- Supplemental and Alternative Crops
- Aquaculture Research Facilities
- Rangeland Research
- National Genetics Resources Program
- High-priority research and extension initiatives
- Nutrient Management Research and Extension Initiative
- Agriculture Telecommunications Program
- Alternative Agricultural research and commercialization revolving fund authorization of appropriations and capitalization
- Assistive technology program for farmers with disabilities
- Partnerships for high-value agricultural product quality research
- Biobased products pilot project (7 U.S.C. 7624(c)(2) and authorization of appropriations
- Integrated research, education, and extension competitive grants program
- Institutional capacity building grants
- 1994 Institution research grants
- Endowment for 1994 Institutions
- Precision agriculture
- Thomas Jefferson Initiative for crop diversity
- Support for research regarding diseases of wheat, triticale, and barley caused by *Fusarium graminearum* or by *Tilletia Indica*
- Office of Pest Management Policy
- National Agricultural Research, Extension, Education and Economics Advisory Board

- Grants for research on production and marketing of alcohols and industrial hydrocarbons from agricultural commodities and forest products
- Biomass research and development
- Agricultural Experiment Stations Research Facilities
- Competitive, Special, and Facilities Research Grants, National Research Initiative
- Equity in Educational Land-Grant Status Act of 1994: *Increases authorization from \$50,000 to \$100,000*
- The Initiative for Future Agriculture and Food Systems: *Amended to provide a total of \$1,160,000,000 to be transferred from the Treasury in equal increments for each fiscal year beginning on October 1, 2003 through September 30, 2011.*

Program Modification Modifies dozens of programs in minor, technical ways.

Title VIII—Forestry Initiatives

Repeal of Forestry Incentives Program and Stewardship Incentive Program. Repeals the Forestry Incentives Program and Stewardship Incentive Program located in section 4 and section 6 of the Cooperative Forestry Assistance Act of 1978 respectively.

Renewable resources extension activities. Reauthorizes renewable resources extension activities through FY2011. Increases discretionary spending for these activities from \$15 million to \$30 million per fiscal year.

International Forestry Program. Reauthorizes the International Forestry Program through 2011.

NEW PROGRAMS:

Forest Land Enhancement Program. Establishes a new program to provide cost-share assistance to non-industrial private forest landowners who agree to develop a management plan and implement approved activities for a period of not less than 10 years. Provides \$15 million in mandatory spending for the program per fiscal year through FY2011.

Community and Private Land Fire Assistance Program. Creates a Community and Private Land Fire Assistance Program (funded at \$35 million of discretionary dollars per fiscal year through FY2011) to enable the Secretary of Agriculture to undertake a variety of activities aimed at preventing fires on both federal and non-federal lands.

Title IX—Miscellaneous

Outreach and assistance for socially disadvantaged farmers and ranchers. Increases the authorization for the outreach program for “socially-disadvantaged farmers and ranchers” from \$10 million to \$25 million.

Tree Assistance Program Requires the Secretary of Agriculture to provide assistance to eligible orchardists that planted trees for commercial purposes but lost at least 15% of such trees as a result of a natural disaster. The Secretary can either reimburse 75% of the cost of replanting eligible trees lost or sufficient seedlings to reestablish the stand. Payment limitation per person may not exceed \$50,000 or an equivalent value in tree seedlings.

Advisory Council on the Upper Mississippi River Stewardship Initiative. Creates an advisory council to provide guidance regarding the Upper Mississippi River Stewardship Initiative. Members shall be appointed by the governors of the states of Minnesota, Wisconsin, Illinois, Iowa and Missouri, drawn from the state technical committees in each of these states. Authorizes \$400,000 per fiscal year from FY2003 through FY2011.

Seniors farmers' market nutrition program. Allows Secretary to use \$15,000,000 for each of fiscal years 2002 through 2011 to carry out and expand a seniors farmers' market nutrition program.

Hazardous fuels reduction grants. For the purpose of wildfire risk reduction, this section authorizes the Secretary of Agriculture to make grants to energy producers who purchase hazardous fuels derived from forests lands for use in the production of electric energy, useful heat, or transportation fuels. Authorizes \$50,000,000 for each fiscal year through FY2011 to carry out this program.

Undesignated Funds. Increases undesignated funds from \$300 million to \$500 million per fiscal year.
